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1. APPROVALS SYSTEM

a. GENERAL

- (1) The preparation of plans and programs within the Agency is inseparable from the formulation of the budget. The budget is in fact a translation of plans and programs in terms of manpower, materiel, and money. As such it is a central artery of management control.
- (2) The process of budget submissions and reviews which leads up to an appropriation from Congress provides a mechanism whereby successive levels of management can tie together program planning, budget formulation, and budget execution; assess past performance and future requirements; ascertain priorities and make recommendations through the chain of command regarding distribution of resources. Such recommendations from lower levels in the organization are necessarily refined and their detail condensed as they move upward from echelon to echelon. Because of their scope, complexity, or importance, some Agency activities require a more thorough-going, separate presentation. Also, there are occasions when annual plans as expressed in the budget must be revised and adjustments made in the original distribution of resources.

b. THE BUDGET CYCLE

- (1) The first step in the budget cycle takes place in the spring in the form of a preliminary estimate, which is an approximation of the budget which will be required for the fiscal year some fifteen months away. During the summer months the estimate is reviewed and developed in detail for submission to the Bureau of the Budget. During the autumn the Bureau analyzes this estimate in context with previous Agency budgets and with prevailing Government-wide fiscal policies. Adjustments are made in concert with the Agency and the revised estimate then goes forward as part of the President's Congressional Budget.
- (2) The Operating Budget formulated in the spring before the beginning of the fiscal year details the financial data necessary to update the Congressional Budget so that it reflects current conditions and costs within the Agency as compared with those conditions and costs prevailing at the time the Congressional Budget was prepared. Upon approval of the Deputy Director of Central Intelligence, the Operating Budget becomes the financial plan under which the Agency will operate for the immediately oncoming fiscal year.

c. SOURCE OF FUNDS

- (1) The foregoing budgetary process results in an appropriation by Congress which provides the funds required to carry out the missions assigned to the Agency.
- (2) The Deputy Director of Central Intelligence, in approving the Operating Budget, also approves:
 - (a) The allowance, or share, of the total appropriated funds to be earmarked for the Executive Director-Comptroller for the immediate Office of the Director, each Deputy Director, and each Head of an Independent Office. (The term "Head of an Independent Office" means the Inspector General and the General Counsel.)
 - (b) The allocations of funds to be made to major staffs, divisions, and offices under the Executive Director-Comptroller and each Deputy Director and Head of an Independent Office.

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(3) The Director of Budget, Program Analysis, and Manpower issues to these subordinate components allotments which provide the authority to obligate and expend funds within the limits of their allocations.

4. OPERATING BUDGET APPROVAL

(1) Each spring the Director of Budget, Program Analysis, and Manpower shall provide to the Deputy Directors and Heads of Independent Offices:

- (a) Instructions for preparing:
 - (1) an Operating Budget for the oncoming fiscal year, and
 - (2) a preliminary estimate for the succeeding fiscal year.
- (b) Policy guidelines with respect to funding and manpower limitations.

(2) Deputy Directors and Heads of Independent Offices shall prepare their budgets in accordance with these instructions and within the limitations and submit them to the Deputy Director of Central Intelligence, via the Director of Budget, Program Analysis, and Manpower, according to schedule.

(3) The Executive Director-Comptroller shall review the Operating Budgets of major staffs, divisions, and offices, holding hearings as necessary. In coordination with the appropriate component, the Director of Budget, Program Analysis, and Manpower shall summarize selected Operating Budgets and arrange for a detailed presentation of these portions of the total budget to the Financial Policy and Budget Committee. The Financial Policy and Budget Committee, on the basis of these detailed presentations, and having reviewed the budget as a whole, shall develop final recommendations to the Deputy Director of Central Intelligence on the proposed Agency Operating Budget.

(4) The Agency Operating Budget, in summarized form, shall then go forward for DDCI approval. Approval of the Operating Budget by the Deputy Director of Central Intelligence determines the allowances to be made to the Executive Director-Comptroller and each Deputy Director and Head of an Independent Office, and also the allocations to subordinate components under the Executive Director-Comptroller, Deputy Directors, and Heads of Independent Offices. However, certain Agency activities described in subparagraph e below must be presented separately and in detail for final DDCI confirmation.

(5) Following congressional appropriation of funds and DDCI approval of the Operating Budget and of specific activities when required by subparagraph e below, the Director of Budget, Program Analysis, and Manpower shall issue allotments and requisitioning authorizations which constitute authority to enter into commitments, to obligate and expend funds, and to place requisitions.

c. SEPARATE ACTIVITY APPROVALS

(1) The annual process of review and approval of the Operating Budget provides top management with much of the knowledge required to administer effectively Agency operations for the ensuing fiscal year. However, there are activities funded within the Operating Budget which by nature of their scope, cost, or policy implications, or because of other considerations, warrant review and study apart from, but in context with, the overall Agency budget. Such a separate activity, for example, may be a complete operational entity, such as a major covert action undertaking, or a group of related items, such as several small contracts constituting an external research program. Expenditures or commitments for such activities are subject to applicable Agency regulations (e.g., procurement of real estate, construction, procurement of vehicles, etc.) unless the requirements

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of regulations have been waived or modified for a particular activity by an approved Administrative Plan.

- (2) The Executive Director-Comptroller, in consultation with the appropriate Deputy Director, shall formulate for DDCI approval recommendations:
 - (a) Identifying those activities within the Operating Budget of each Deputy Directorate which require separate DDCI approval.
 - (b) Establishing a reporting formula most suitable for presentations from that particular Deputy Directorate.
- (3) Requests for approvals of such separate activities shall be submitted to the DDCI, via the Executive Director-Comptroller, after the Operating Budget is approved and in accordance with the approved reporting formula.

f. **REPROGRAMMING.** The approved Operating Budget, as a major instrument of management control, is a command direction to subordinate echelons to distribute Agency resources according to a formal plan. Within the jurisdiction of the Executive Director-Comptroller and of each Deputy Director and Head of an Independent Office, the allocations made to major staffs, divisions, and offices are not ordinarily subject to redistribution. However, it is recognized that departures from the fixed plan will occasionally be necessary during the fiscal year to align resources with changing requirements. To effect such reprogramming, Deputy Directors and Heads of Independent Offices concerned shall request the Director of Budget, Program Analysis, and Manpower for a change in allotments. With respect to shifts in the use of resources within a given allotment, the Director of Budget, Program Analysis, and Manpower shall develop in concert with each Deputy Director and Head of an Independent Office an appropriate reporting system designed to keep the Agency financial plan in step with program decisions.

g. **FINANCIAL POLICY AND BUDGET COMMITTEE**

(1) **GENERAL.** The Agency desires internal decisions that promote the most effective, efficient, and economical use of its resources. To assist in this objective, the Financial Policy and Budget Committee has been established. This Committee evaluates Agency overall annual budgetary requirements, advises the Deputy Director of Central Intelligence with respect thereto, and, as requested by the Executive Director-Comptroller, evaluates and provides advice relating to specific proposals involving the use of Agency resources.

(2) **ORGANIZATION**

(a) The Financial Policy and Budget Committee is organized as follows:

Chairman

Executive Director-Comptroller

Alternate Chairman

Director of Budget, Program Analysis, and Manpower

Members

Assistant Deputy Director for Intelligence

Assistant Deputy Director for Plans

Assistant Deputy Director for Science and Technology

Assistant Deputy Director for Support

Deputy General Counsel

Director of Finance

Secretary (nonvoting) selected by the Chairman

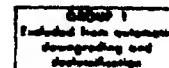
(b) The Financial Policy and Budget Committee meets upon call of the Chairman.

(3) **FUNCTIONS.** The Financial Policy and Budget Committee shall:

(a) Review and recommend to the Deputy Director of Central Intelligence for approval initial budget submissions and Operating Budgets.

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- (b) At the request of the Executive Director-Comptroller, review and make recommendations with respect to:
 - (1) Reprogramming proposals occasioned by significant changes in policy or scope of action not contemplated when the Operating Budget was approved.
 - (2) Requests for approval of separate activities of general concern which require approval of the Deputy Director of Central Intelligence.
 - (3) Requests for releases from the Agency's Reserve for Contingencies.
 - (4) Any other matters which, in the opinion of the Executive Director-Comptroller, warrant consideration by the Committee.
- (4) PROCEDURES. The Secretary of the Committee shall, upon the request of the Chairman:
 - (a) Schedule Committee meetings, and notify members of special meetings.
 - (b) Distribute to the Chairman and members the agenda of the meetings and copies of documents for consideration, with all supporting material.
 - (c) Provide the Chairman and members with a record of action taken on each document.
 - (d) Prepare reports and recommendations of the Committee for submission to the Deputy Director of Central Intelligence.

2. POLICY REGARDING FUTURE COMMITMENTS FOR FOREIGN ASSISTANCE

- a. Headquarters officials responsible for negotiating or approving projects or programs involving this Agency and any foreign government should be guided by the following policy statement enunciated by NSC Action 1560, issued on 8 October 1958 in accordance with the President's directive of 8 May 1958.
- b. According to NSC Action 1560, the President's directive stated that "no promises or commitments, involving future performance or future expenditures of U.S. funds for foreign assistance, should be made or implied except upon specific determination:
 - (1) "That such promises or commitments are in accordance with approved policy.
 - (2) "That either funds have been appropriated or authorized by the Congress—including such authority as may be granted for making long-term commitments—or, that there is Executive determination to seek such funds as may be required.
 - (3) "As to the extent to which the recipient country may be able to support the programs contemplated.
 - (4) "As to the probable time-span over which such assistance may have to be granted."
- c. In conforming with this policy, it is to be understood that the purpose of the President's directive is to ensure that the United States does not make commitments, express or implied, to furnish funds, goods, or services to foreign governments without:
 - (1) Appropriate governmental clearance;
 - (2) Satisfactory assurance that such commitments (a) can and will be met, and (b) do take into account the best interests of the United States in the use of its resources; and
 - (3) A clear understanding with the recipient as to the nature, scope, and time-span of the commitment.

10. CEILING AND POSITION AUTHORIZATION

a. **GENERAL.** The principal characteristics of the Agency's manpower control system are:

- (1) Differentiation between manpower assigned to carry the day-to-day operating workload and manpower not so assigned.
- (2) Flexibility in position structure (types, levels, organizational location of positions) to enable responsible supervisors to shift personnel to meet changed workload requirements.
- (3) Annual review by organizational components of their personnel requirements and establishment of personnel ceilings on the basis of organizational components.
- (4) Identification of requirements for staff personnel according to the Career Service which will be responsible for filling the requirements.
- (5) Identification of requirements for certain categories of personnel that are not administered by the Heads of Career Services, such as military details, contract employees, personnel recently employed and as yet not assigned to a Career Service, and certain categories of staff personnel who do not fit into the Career Service structure of the Agency.
- (6) Stabilization of the average grade level of a Career Service.

b. DEFINITIONS

- (1) The "planning paper" is a document prepared at yearly intervals by Operating Officials to calculate personnel requirements for the components under their control during the coming fiscal year.
- (2) The "staffing complement" is the list of positions of various types, levels, and, if appropriate, Career Service designations required to meet the workload of a component. These positions are categorized as follows:
 - (a) "Limited positions" are positions that may be occupied by no more than a specified number of individuals at one time, except for overlaps in connection with reassignment.
 - (b) "Flexible positions" are positions that may be occupied by an unlimited number of individuals at one time.
- (3) The "development complement" is a planned ceiling allowance administered by the Head of the Career Service for the interim assignment of members of his Service who are in training or otherwise are awaiting assignment to positions. This ceiling allowance will be included in the ceiling of the component under the control of the Head of the Career Service. Personnel of any grade may be assigned to it.
- (4) The "staff ceiling" of the Agency and of its organizational components is the maximum authorized number of personnel, consisting of staff personnel, detailed military personnel, civilian personnel detailed from other Government agencies on a reimbursable basis, and Agency civilian personnel detailed to other agencies on a nonreimbursable basis or in external training status. Contract employees who perform staff-type duties in the United States (except Alaska and Hawaii) are included in the staff ceiling except as set forth below:
 - (a) When the task for which they are engaged represents short-term, nonrecurrent activities such as building, rehabilitation construction, ground landscaping, and related work programs;

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53. CONTRACT PERSONNEL. This paragraph states Agency policies governing personal service contracts with nonstaff personnel. It does not apply to the employment of consultants (see [redacted])

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a. POLICY

- (1) The Central Intelligence Agency may engage individuals by contract:
 - (a) When it is necessary to provide for short-term operational or support needs which cannot be met through the use of available staff employees.
 - (b) When the services of particularly well-qualified individuals who cannot meet all the requirements for staff employment are required.
 - (c) When there is a need to exploit operational considerations to the maximum without obligating the Agency to long-term employment.
 - (d) When the nature of the mission for which the individual is being hired precludes his being subject to administrative control or working specifically defined hours.
 - (e) When the individual's primary employer or interest is not the Central Intelligence Agency and the services the Agency desires from him are supplementary to his primary interest or vocation.
- (2) The hiring of individuals by contract is subject to the following restrictions:
 - (a) Contract personnel may be engaged only for approved activities for which funds are specifically available. The funds shall be budgeted for annually and shall not exceed limitations imposed by the heads of the components concerned.
 - (b) Contracts with individuals who are to have a direct employment relationship with the Agency shall whenever possible be written and signed. In order to document the commitments and obligations of the Agency, a memorandum in lieu of a written contract may be prepared when security or operational factors prevent the execution of a written contract.
 - (c) The Operating Official or Head of the Independent Office concerned shall procure appropriate security or operational approvals before any contractual arrangements, oral or written, are entered into with individuals and before any disclosure to them of classified information.
 - (d) No commitment relating to the use of the services of an employee of another Government agency shall be made without the prior approval of the Operating Official or Head of an Independent Office concerned and the Director of Personnel.
 - (e) No commitments, specific or implied, shall be made to contract personnel that appointed employment status will be offered at the conclusion of or during any period of their contract service, unless such commitments have been approved by the Director of Personnel and the Director of Security. Similarly, staff personnel shall not be transferred to a contract status except under extraordinary circumstances and then only when approved by the Operating Official or Head of the Independent Office concerned.
 - (f) A satisfactory medical evaluation is a prerequisite to the execution of a contract providing Federal Employees' Compensation Act or other medical benefits.

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(3) The following provisions apply to cover income received by contract personnel. (Cover income is defined as income received from cover activities, for bona fide services to the cover activity, earned as a result of association with CIA, which does not have the Agency as its source, and for which reimbursement from the Agency has not been and will not be sought. Cover income includes all emoluments received whether in the form of direct salary, commissions, fringe benefits, allowances and differentials, or otherwise.)

(a) In the case of contract employees, cover income is the property of the Government and shall either be returned to the Agency or be offset against compensation due from the Agency.

(b) In the case of contract agents, the question of retention, return, or offset of cover income may be the subject of negotiation.

(c) In the case of career agents, cover income may be (1) offset against the compensation due from the Agency, (2) returned to the Agency, or (3) offset and retained by the individual in accordance with the formula outlined in [REDACTED]

(4) Income received by contract personnel from cover activities which has the Agency as its source, or for which reimbursement from the Agency has been or will be sought, does not come within the principles outlined in subparagraph a(3) above, but is the property of the Government and must be returned to the Agency or offset against compensation due from the Agency.

b. CATEGORIES OF INDIVIDUALS ENGAGED UNDER CONTRACT. There are three principal categories of contract personnel:

(1) **CONTRACT EMPLOYEES.** Contract employees are temporary personnel who are employed by contract for a specified period to meet short-range needs in official Agency activities. They may be citizens of the United States or foreign nationals. They work under controlled and supervised conditions, and are compensated on a salary basis. While not staff employees of the Agency, they have an employee relationship to the United States Government and receive rights, benefits, and privileges in accordance with their citizenship status. There are two types of contract employees as defined below:

(a) **Type A (Staff Type).** Contract employees who meet staff employee security standards and who have been granted security clearance to perform staff-type duties at headquarters or other CIA installations. They shall, however, be admitted to headquarters, station, and base offices only as required.

(b) **Type B (Nonstaff Type).** Contract employees who are not required to meet full staff employee security standards and who do not have access to CIA headquarters or other official Agency installations or to classified material, except under conditions specifically set forth at the time of request for security approval of their employment or amended by subsequent request. Access to Agency offices, either at headquarters or overseas, shall be granted only in very unusual and important cases and shall be kept to an absolute minimum.

(2) **CONTRACT AGENTS.** A contract agent is a citizen of the United States or a foreign national engaged as an independent contractor to perform certain specific activities either within or outside the United States. A contract agent may be used by a proprietary or subsidized organization, but may not work in a headquarters, station, or base office. A contract

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agent receives only the benefits and compensation which have been established as equitable and necessary to obtain his services and which are specified in his contractual agreement.

(3) CAREER AGENTS. A career agent is an individual who, having demonstrated his operational value to the Central Intelligence Agency over a period normally of not less than three years for United States citizens and of five years for foreign nationals, has been engaged on a career basis for the purpose of performing covert activities for an extended period of time. The cover may be established before his engagement with the Agency, with or without Agency intervention, or it may be established by the Agency after the recruitment of the agent. While not a staff employee, the career agent is an employee of the United States Government by virtue of his relationship with the Agency and is normally entitled to benefits and privileges commensurate with but not necessarily identical to those granted to staff personnel.

c. AUTHORITIES

(1) The Director of Personnel, his Deputy, and the Special Contracting Officer (Chief, Contract Personnel Division), on the request of an Operating Official or Head of an Independent Office, are authorized to execute agreements and contracts with individuals who are engaged for the furnishing of information or services and to amend, renew, and terminate such agreements and contracts. Deputy Directors and Heads of Independent Offices may, where necessary, designate Contract Approving Officers for the approval of contract actions for individuals whose payment is or will be charged against funds under their control. Contracts providing for basic compensation at a rate which, if projected on an annual basis, would exceed the maximum annual rate for grade GS-15 shall not be executed until the Deputy Director or Head of the Independent Office concerned and the Director of Central Intelligence have approved such compensation. The Director of Personnel shall forward all such requests to the Director of Central Intelligence with his recommendation.

(2) Authority granted to the field is subject to the following limitations.

- (a) All contracts executed in the field are subject to postaudit by the Director of Personnel.
- (b) Deputy Directors may limit the exercise of the authority granted to chiefs of field installations to any extent deemed desirable.
- (c) Contracts prepared by headquarters shall be amended only by headquarters or with prior headquarters approval. Contracts executed in the field may be amended in the field, but all such amendments shall be forwarded to headquarters.

(3) The provisions of all contracts written under the authority of HR 20-53 are subject to review for legality by the General Counsel under such conditions as he may prescribe.

d. PROCEDURES. Details on the processing of contracts, the benefits which may be granted, and procedures for the termination of contracts are contained in [redacted]

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